



DEPARTMENT OF ADMINISTRATIVE SERVICES



STATE OF CONNECTICUT

165 Capitol Avenue
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House Bill 6601

An Act Clarifying the Approval Process for Certain Administrative Fees Allowed to Private and Non Profit Entities

Finance Revenue & Bonding Committee
March 18, 2013

Good morning Senator Fonfara, Representative Widlitz, Senator Franz, Representative Williams, and distinguished members of the Finance, Revenue and Bonding Committee. My name is Mark Raymond, and I am the Chief Information Officer for the State of Connecticut. My bureau, the Bureau of Enterprise Systems & Technology (BEST) functions within the Department of Administrative Services.

Thank you for giving me the opportunity to offer testimony on House Bill 6601, **An Act Clarifying the Approval Process for Certain Administrative Fees Allowed to Private and Non Profit Entities**.

House Bill 6601 modifies language that passed in last year's budget implementer bill -- Section 152 of P.A. 12-2 (June Spec. Sess.). Section 152 provided authorization for state agencies to enter into contracts with private and non-profit entities to help get more government services and transactions online. Representative Candelora correctly identified an error in that Section of the Public Act when the bill was debated on the House Floor. DAS has requested legislation this year to fix the error. That fix language is in Section 1 of Senate Bill 434, which was recently heard and unanimously voted out of the GA&E Committee.

DAS is concerned that the bill before the Committee today - HB 6601 - removes the necessary fix that we need in order to move forward with this important IT initiative. Specifically, the existing statute provides that, if we contract with a vendor to help facilitate e-government transactions and services, the state may allow the vendor to charge an administrative fee. However, the statute currently requires that such administrative fees must be deposited into the General Fund. (See lines 17-18).

Section 1 of DAS's bill, Senate Bill 434, deletes the requirement that these administrative fees be deposited into the General Fund. This is a critical fix, which is not included in HB 6601.

Deleting the requirement that these administrative fees be deposited into the General Fund enables the State to utilize an increasingly popular "self-funded" model for e-government

contracts. In such a model, a competitively-chosen vendor develops, implements, maintains and grows online transactions for the State **with no ongoing payments from the state**. Instead, the vendor is paid for its work through small administrative fees attached to a select set of on-line services.

The agencies of the State of Connecticut are under constant pressure to deliver more services at a time when a shrinking portion of the budget is available for general government purposes. As a result, numerous state agencies and offices are moving forward with e-government initiatives to enable their clients and the public to transact business with the state online, and to provide data and information in an easily accessible web-based format. Utilizing a self-funded e-government model would allow the State to dramatically improve and maintain a new online presence and to expeditiously move forward with e-government initiatives. The chosen vendor(s) provide the work to transform State website portals and move State transactions and services online, with no ongoing cost to the State. The vendor works with the State to recommend certain transactions on which small administrative service fees may be added to support the system. No fees are ever imposed without review by members of the executive and legislative branches.

We respectfully request that the Committee include in HB 6601 the legislative fix outlined in Section 1 of SB 434 to enable the State to make use of the "self-funded" e-government model. Almost 50% of the states within the United States have turned to self-funded e-government as a way to provide more services, quickly and efficiently to those that choose to transact with the government on-line. Connecticut would continue to lag behind in this area if we were legislatively prohibited from utilizing this tool.

House Bill 6601 also changes last year's legislation to require that the joint Finance, Revenue and Bonding Committee approve administrative fees before they are imposed, rather than the Finance Advisory Committee. One concern about this change is that the joint committee does not meet regularly outside of the legislative session. In order to be effective, our e-government initiative must be implemented in a way that is responsive to the rapidly evolving business and technology environment. Therefore, whatever group is tasked with approving recommended administrative fees for online services must be able to act quickly. We would like to work with the Committee with regard to this issue so that the statute provides the appropriate oversight needed to approve recommended administrative fees, while ensuring that the process runs efficiently and effectively.

Thank you again for the opportunity to testify, and I would be happy to answer any questions that you may have.